GEORGE WASHINGTON UNIVERSITY
SCHOOL OF GOVERNMENT
WASHINGTON, DISTRICT OF COLUMBIA

ASPECTS OF
BUDGETARY CONTROL

TERM PAPER
FOR
NAVY GRADUATE COMPTROLLERSHIP COURSE
BUSINESS ADMINISTRATION-265
DR. A. REX JOHNSON

PREPARED BY

HENRY R. WILSON
LIEUTENANT, U.S.N.
JANUARY, 1954

TABLE OF CONTENTS

Chapter		Page
1.	RESPONSIBILITIES OF THE COMPTROLLER. . .	1.
	Introduction	
	Budgetary Control	
11.	ADMINISTRATIVE METHODS OF CONTROL. . . .	7
	Accounting	
	Authorization and Appropriation	
	Apportionment	
	Current Developments	
111.	FURTHER CONSIDERATIONS FOR BUDGETARY CONTROL.	21
	Audit	
	Budget Flexibility	
	Reporting	
	Planning And Control	
BIBLIOGRAPHY.		30

CHAPTER 1

RESPONSIBILITIES OF THE COMPTROLLER

Introduction

The Hoover Commissions Task Force on National Security Organization reported late in 1948 that it had found "(a) wide dissimilarity among the three services in budgetary organization and (b) lack of reasonable uniformity in budgetary accounting, terminology and classification, making valid comparisons impossible."[1]

Congress, prompted by the Hoover Commission Report, amended The National Security Act of 1947 by Public Law 216 and added Title IV for the promotion of economy and efficiency through the establishment of uniform budgetary and fiscal procedures and organizations. This amendment, among other things, established in the Department of Defense and in each Military Department, a Comptroller, who had responsibility for the following duties subject to the authority of their particular secretaries:

(b) The Comptroller shall advise and assist the Secretary of Defense in performing such budgetary and

---

1. The Committee on The National Security Organization of the Commission on Organization of the Executive Branch of the Government, Committee on The National Security Organization, (Washington, 1949) 71-72.

fiscal functions as may be required to carry out the powers conferred upon the Secretary of Defense by this act, including but not limited to those specified in this subsection. Subject to the authority, direction and control of the Secretary of Defense, the Comptroller shall--

(1) supervise and direct the preparation of the budget estimates of the Department of Defense; and

(2) establish and supervise the execution of--

(A) principles, policies and procedures to be followed in connection with organizational and administrative matters relating to--

(i) the preparation and execution of the budgets,
(ii) fiscal, cost, operating and capital property accounting,
(iii) progress and statistical reporting,
(iv) internal audit, and

(B) policies and procedures relating to the expenditure and collection of funds administered by the Department of Defense."[1]

The Law further caused to be established in each Military Department, Comptroller Organizations similar in operational structure to the Office of the Comptroller of the Department of Defense who would be responsible to and subject to the authority of the respective departmental secretaries for:

> All budgeting, accounting, progress and statistical reporting and internal audit in their respective departments and for the administrative organization structure and managerial procedures relating thereto. .[2]

---

1. Public Law 216, Section 401, Approved August 10, 1949.

2. Ibid., Section 402.

In implementing the provisions of Section 402 the broad policies relating to the responsibilities that are inherent in Navy Comptrollers has been set forth in the Charter of the Comptroller of the Navy.

> The mission of the Comptroller of the Navy under the authority of the Secretary of the Navy, is to formulate principles and policies and to prescribe procedures in the areas of budget, fiscal, accounting, audit and progress and statistical reporting throughout the Department of the Navy to the end that their use will result in meeting the operating and planning requirements of management with efficiency and economy.[1]

It should not be inferred that the Navy Comptroller is personally responsible for control of operations. The Comptroller in a staff organization provides the basis for such control through the development, coordination, integration, analysis and interpretation of control information. It is an examination of some of the various control methods and techniques relating to the Comptrollers responsibility in the field of budgeting that I have attempted to set forth in the following pages.

Fiscal controls are exercised through a variety of forms. Some are through apportionments, appropriation, allotments, accounts and audits. Controls may be analyzed in various terms such as who exercises control; for what purpose, or why is the control exerted; and what is controlled. In the federal government several officials and agencies

---

1. Department of the Navy, Office of the Comptroller, Current Charter of the Comptroller of the Navy, August 26, 1952.

play an important part in controlling expenditures; the Congress, the President, assisted by the Bureau of the Budget, the heads of Departments and Bureaus, and the General Accounting Office. These officials exercise control to insure that prescribed policies are being observed; to achieve wise, economical and effective use of funds and to insure the legality, accuracy and regularity of fiscal transactions.

BUDGETARY CONTROL

In discussing the budget and attitudes towards its control it might be well to draw a distinction between the two terms, budget and budget control, which might not be evident. A budget by itself is a statement in financial terms of projected or expected operations of an accounting entity for a given period.[1] Budgetary Control is much more. It involves careful planning and management of all the varied functions of an enterprise.

> Budgetary control assumes a genuine desire on the part of the entire organization from the top management down through the various (administrative levels) to keep as close to the estimated budgetary figure as possible, to accept responsibility for variances, to check actual performance against the plans, and in every other respect to use the budget as a real guide to reach the previously established goal.[2]

The advantages of budgetary control as implemented by strong executive planning and coordination, both

---

1. Office of Assistant Secretary of Defense, Glossary of Terms Used in Comptroller Activities, January 25, 1952, p.19.

2. John H. Macdonald, Practical Budget Procedure, (Prentice-Hall, Inc., 1939),2

in accounting procedures and reporting techniques may be summarized as follows:

1. Promotion of efficiency; preventing waste by regulating the spending of money for a definite purpose and in accordance with legal appropriations.

2. Responsibility is placed with functions.

3. Coordination is achieved in an organization by compelling all departments to work towards the attainment of a common goal.

4. Yardstick by which management may be forewarned of dangerous or favorable trends since it indicates the variance between estimates and actual results realized.

5. It compels management to study its end products, methods and service and obtain the most economical use of labor, material and expense.

6. It is a test of the ability of management to make things happen in accordance with a well ordered plan.

7. It compels management to fortify itself with adequate accounting, cost accounting and financial records and reports.

Budgetary control is not the final answer to better management. It is very useful but is subject to certain limitations. Those who consider the use of budgetary control should have a realization of its shortcomings and failures, as well as its advantages. One of the primary

facts to consider is that first, any budget plan necessarily depends upon estimates. To the extent that the estimates upon which it is based are founded on all available facts and sound reasoning the budget is a reliable and useful guide. Forecasting is however, not an exact science although studies relating to standards have accomplished a great deal. There is still much to be done in this field. The trend of undeterminite social factors and variable economic conditions play an important part in the accomplishment of objectives. It is difficult and at times impossible to forecast even the directions of these trends and reactions to them. The strength or weakness of the budget depends to a large extent upon the accuracy with which these factors were estimated.

Budgetary control is a valuable device for planning and controlling operations but it will not take the place of good management. The budget is only a tool of the skilled executive. As has frequently been said, "It can point out the course but it cannot steer the ship." In times of extreme stress and uncertainty it must be sometimes temporarily disregarded. Budgetary control is a useful tool for the perfection of managerial technique.[1]

---

1. Ernst & Ernst, Budget Control, What it Does and How to Do It, (New York, 1925), 4-5.

CHAPTER 11

ADMINISTRATIVE METHODS OF CONTROL

ACCOUNTING

In 1921 by the Budgeting and Accounting Act the machinery was laid for a coordinated financial program for the Federal Government through the establishment of the Bureau of the Budget. The tremendous growth of the National Budget and particularly the Budget of the Department of Defense in the past decade has awakened Congress to the need for firmer financial controls. This has been evidenced by a continuing mass of legislation aimed not only at promoting "Efficiency and Economy" in our government but also an attempt by Congress to further control the budget. The major portion of this legislation has been enacted because of the strong recommendations of the Hoover Committee for reorganization of government.

"Perhaps no instrument of modern management is more powerful or more pretentious than fiscal control and public budgeting and at the same time genuinely related to the common welfare."[1]

---

1. Albert Lepowsky, Administration, (New York, Alfred A. Knopf, 1949), 490.

The financial operations of government agencies must be controlled even more vigorously than those of private business. Maintenance of financial integrity affects the confidence of the nation in itself and the moral standards of all the people. The failure of such integrity in private business affects the pocketbooks and slackens the morals of a few, but its failure in public business affects the morals of all. In this way the operations of a Comptrollers Organization within the Navy establishment affects all other administrative problems. "Policies and methods in the handling of governmental funds must be clearly defined and responsibilities firmly fixed."[1]

It is a recognized fact that in accomplishing the above we find that complicated systems of checks and balances employed in financial controls tend towards inefficiency. One of the primary steps then in promoting economy lies in the continued improvement of the methods of accounting.

Government accounting not only attempts to provide a system of fixing responsibility on the handling of funds but also serves as an indispensable "tool of management" in the day to day handling of administrative affairs. This fact was recognized by the Comptroller General and was reiterated in broad terms in a letter to all departments and agencies on October 20, 1948.

---

1. A Report to the Congress by the Commission on Organization of the Executive Branch of the Government, February. 1949.

> . . . contemplates the full development of sound accounting within each agency as a working arm of management in terms of financial information and control. At the same time it invisions an integrated pattern of accounting and financial reporting for the government as a whole, responsive to executive and legislative needs. Balanced recognition will be given to the need for a flexible basis for accounting development with agencies in the light of the varying types of operations and management problems and to overall fiscal reporting and responsibilities.

The Comptroller General further states:

> I wish to deal with the concept of my responsibilities in the prescribing of accounting systems. I believe this function should be exercised so as to provide all possible encouragement to the agencies to exercise their own initiative and responsibility in the solution of their accounting function. In line with this, it will be my objective as the program progresses to prescribe requirements largely in terms of standards, principles and basic forms, procedures and terminology.

Congressional concern over the control and use of funds has influenced it considerably in the attention it pays to the accounting systems of individual agencies. The head of each agency is responsible under Law for the accounting methods followed within his organization.

Section 309 of the Budget and Accounting Act of June 10, 1921 provides . . . "The Comptroller General shall prescribe the forms, systems and procedure for administrative appropriation and fund accounting in the several departments and establishments and for the Administrative examination of fiscal officers accounts and claims against the United States." 1

---

1. 31 U.S.C., Section 49.

Costs of approved programs are more liable to be kept within legal as well as administratively imposed limits if the individual in charge of each activity is made responsible for the costs incurred in it. Accounting furnishes a framework which can be fitted to assignments of responsibility by management. At the same time it supplies a basis of reporting as one element by which the success of an operation can be judged. "Decisions regarding future operations are made with greater confidence and accuracy by Congress and Management where it can be demonstrated through accounting results that past performance has been consistant and within established financial limits."1

To be of current and maximum use however, accounting results should be transmitted to management through a prompt reporting system. The larger an organization becomes, the more difficult the problem of the control and the use of various methods of reporting becomes.

One of the most noteworthy improvements in the control of the Federal Budget Documment was the introduction of a revised functional classification of expenditures and appropriations in the budget for fiscal 1948. By grouping together items that were functionally related, regardless of the agency responsible, the functional classification provided the Congress and the public with a useful summary

---

1. Comptroller General of the United States, "The Contribution of Accounting to Better Management", August 15, 1952.

of what the Government was doing or expected to do, and in general, focused upon the ultimate purposes that the Government programs were designed to serve.

> Budget expenditures are now classified under twelve main categories: National Defense, Veteran's Services and Benefits, International Affairs and Finance, Social Welfare, Health and Security, Housing and Community Facilities, Education and General Research, Agriculture and Agricultural Resources, Natural Resources not primarily Agricultural Resources, Transportation and Communication, Finance, Commerce and Industry, Labor and General Government.[1]

Authorization and Appropriation

Congressional opinions are varied as to what good the present budget and regulations governing it are in the actual control of expenditures. For this reason they rely to a great extent upon the basic legislation authorizing a government program or commitment and are becoming more careful of the wording in such legislation. Ernest Griffith says, "The real feeling of Congress is expressed in the appropriation process."[2] Another writer says, "The control of the appropriation process except for private bill rests in the hands of the Committee on Appropriations."[3]

---

1. George B. Galloway, The Legislative Process in Congress, (Thomas Y. Crowell Company, New York, 1953), 97.

2. Ernest S. Griffith, Congress, Its Contemporary Role, (New York University Press), 81.

3. Galloway, op. cit., 97.

Currently there are nine (9) different kinds of budget authorizations that may be granted:

1. Ordinary current appropriations including one year, multiple year and no year appropriations.
2. Annual indefinite appropriations.
3. Permanent appropriations; definite and indefinite.
4. Contract authorizations, which confer authority to enter into contracts and incur other obligations in advance of an appropriation; current and permanent.
5. Appropriations to liquidate contract authorizations.
6. Authorizations to expend from public debt receipts.
7. Reappropriations.
8. Reauthorizations of contract authority.
9. Reauthorization to expend from public debt receipts.

W. F. Willoughby in discussing the subject of permanent appropriations said, "It is alleged that the existance of permanent and indefinite appropriations complicates the problem of determining the needs of the Federal Government, introduces elements of uncertainty in determining the total funds voted for the support of Government and impairs the

powers of Congress in the direction and control of spending services."[1]

In his history of the efforts of Congress to control expenditures, Lucius D. Wilmerding remarked while discussing the increasing specification of appropriations from 1789 to 1941, "By permitting transfers between appropriations, by authorizing the use of departmental receipts without limitation of amount . . . Congress has at various times and in varying degree loosened its control over the separate appropriations."[2] To illustrate the truism of the point today in the Budget period 1950-51 the carry-over in Navy appropriations was two-billion; from 1951-52, eight-billion; from 1952-53, fifteen-billion; and from 1953-54 an estimated seventeen-billion.

Wilmerding described the efforts of Congress to compel compliance with the laws making specific appropriations as "self defeating" and concluded that "the attempts of Congress to arm itself with the machinery of retrospective control have altogether miscarried."

Agencies, by mingling appropriations, by bringing forward the anticipated balances of future appropriations by incurring coercive deficiencies and by other methods have taken, not always with warrant of law, a power more or less limited to vary the appropriations directed by Congress.

---

1. W. F. Willoughby, The National Budget System, With Suggestions For Its Improvement, (Johns Hopkins University Press, 1927), 251.

2. Lucius Wilmerding, Jr., The Spending Power, (Yale University Press, 1943), 193-195.

The appropriation structure not only affects the presentation of the budget estimates but runs to the root of management and fiscal responsibilty. Departmental management is made more complicated and fiscal responsibility is further diffused when single bureaus and their varied programs and functions are financed from many separate appropriations.

Further criticisms of the Federal Budget as it stands today were illustrated by Edward C. Banfield. "Congress sees the budget as an instrument for exerting managerial control over the executive." Banfield conceives of the Federal Budget not as an instrument of legislative control or of executive management, but primarily an instrument of national planning. "The primary purpose of budgeting ought to be to achieve the most desirable allocation of funds among alternative uses, and over time, in such a manner that each dollar will make the greatest returns in terms of controlling special purposes."[1]

Additional emphasis on the implementing and developing of safeguards to restrict the freedom of departments in the execution of their respective budgets is being continuously voiced.

> . . . removing the financial controls. . ., leaving the executive free to do as it wills in its spending actions. It is a control, the exercise of

---

1. Edward C. Banfield, "Congress and The Budget, A Planners Criticism," American Political Science Review, December, 1949, p.1217-18.

> which should be jealously guarded and any further encroachments upon it----either by making actions of the spending agencies with regard to financial matters final and conclusive or by curtailing independent audit and control powers----should be vigorously attacked and beaten back[1]

Apportionment

The Congress has long been interested in seeing that agencies so spend their appropriations as not to incur deficits. Various actions have been taken both by the Congress and Presidents to achieve this end. These have finally resulted in a system of apportioning appropriations. This system requires the spending agencies to submit to the Bureau of the Budget for its approval their requests for quarterly apportionments of their appropriations. Any revisions in the original apportionments require supplementary forms to be submitted to the Bureau for approval. A copy of the apportionment and any revisions goes to the Treasury for its information. Each month the spending agencies are required to report on the status of their appropriations including obligations and balances. It is at this point that considerable doubt arises as to whether or not the Treasury or the Budget Bureau have any direct check or control over what agencies choose to report.

An Apportionment as defined by Budget-Treasury Regulation No. 1 is "a determination by the Director of the Bureau of the Budget as to the amount of obligations which

---

1. House Report Number 1441, 81st. Congress, 1st. Session 1949, The General Accounting Office: A Study of Its Functions, 2.

may be incurred under an appropriation or contract authorization during a specified period."

One of the first legislative acts imposed by Congress to control or check the abuse of over-expenditure of certain funds was passed in 1906 and termed the Anti-deficiency Act. Not only did it make provisions for limiting the expenditure of funds but it also prohibited waiver or modification of these apportionments except "under the happening of some extraordinary emergency or unusual circumstance." The authority to waive or modify apportionments was vested in the heads of executive departments and a fine and imprisonment clause was provided for violators.

It was not until 1933 under the direction of Executive Order 6166 that the power of making, waiving or modifying apportionments of appropriations was transferred from Agency Heads to the Director of the Bureau of the Budget.

The coverage of the apportionment system has been increased with the passage of Executive Order 8512 dated 13 August 1940 and the Federal Employees Pay Act of 1945. Budget-Treasury Regulation No. 1 as revised September, 1953 is the current legal document on the Federal Apportionment System.

All current appropriations, appropriations of prior years containing balances available for further obligation and administrative expense limitations of government corporations are apportioned. Revolving funds, special deposits and appropriations for certified claims, judgements and private relief acts are usually not apportioned.

As related to budgetary control by apportionment exercised by the departmental heads and the Bureau of the Budget, it has been commented that the present system afforded each department head the "opportunity of controlling the financial operations of his department." It has also been observed that it afforded the Bureau of the Budget the "opportunity of observing how the financial operations of the entire federal service are administered."

Congressional concern has been evidenced in the past few years over the apparent disregard and lack of compliance with the spirit of the Anti-Deficiency Bill. As the Bureau of the Budget control is exercised mainly through the power of the president to formulate the budget for Congress and his power of appointments, Congress feels that it should have more control over the apportionment system. In 1947 in its report on the Second Deficiency Appropriations Bill, the House Appropriations Committee commented, "the committee expects to require its staff to examine apportionments as soon as approved for the fiscal year 1948 with a view to determining at that point and informing the committee of any variations from the legal requirements and as to indicated deficiencies."

Current Developments

Congressional control extends not only in the appropriation process but also in the investigative methods of certain congressional committees and the General Accounting office. Section 206 of the Legislative Reorganization

Act of 1946 directs the Comptroller General to make an expenditure analysis of each agency in the executive branch of the Government (including Government Corporations) which in his opinion will enable Congress to determine whether public funds have been economically and efficiently administered and to report the results of his findings to Congress.

The Congressional Investigating Committees are an attempt by Congress to retain control of funds. They have had their growth largely as a result of the concern of Congress over the disparity between appropriations and actual expenditures. As far as the control of Congress over specific items is concerned the important thing is whether the obligations to spend match the appropriations and whether these obligations conform to the purposes for which the funds were requested.

In more recent times certain other attempts have been taken by Congress to increase budgetary control and improve fiscal management. One being for the establishment of an omnibus or consolidated one-package budget (consolidated general appropriations bill) which sets a definite maximum limit on total funds to be obligated for the fiscal year and provides for a review of previous obligations made for the fiscal year. This package budget proved unworkable and has been set aside indefinitely. Another proposal called for the establishment of a Joint Congressional Committee on the budget that was to be aided by a profession-

al staff in studying and evaluating the nature and costs of federal activities. This Joint Committee would have been a duplication of the work of the Bureau of the Budget and would have protracted budgetary procedure and made ultimate decisions more difficult.

The performance type budget was an outgrowth of the Hoover Commissions Report on Governmental Budgeting and Accounting as a furthering of the means of Congressional Financial Control. The way it has proved useful is exemplified by the fact that as a result of the reduction in the number of appropriations from forty-eight under the old (1950) structure to twenty-one under the new (1953) structure and especially the fact that the performance type budget is based on programs rather than a combination of objects, organization units and programs as was formerly the case, budget formulation, review and control have been made easier both from the standpoint of accuracy of analysis and time involved. Fewer appropriations has reduced the number of required reports and has permitted greater flexibility in the execution of programs. It has permitted greater decentralization of operations. By providing a means to maintain program balance, the performance type budget is an effective tool of management. The content, cost, contemplated changes and the progress to date of any program can be set forth more clearly. Evaluation is made a plan of action in terms of program components and what those components might cost.

As part of the general improvement under the performance budget, the method of justifying budget estimates was changed commencing with the fiscal year 1952 budget. This change from a system whereby only budget increases and decreases from the base year were justified to a system wherein the full amount of each program is justified through workload data, standards and other criteria, was a substantial improvement.

The new appropriation structure has facilitated budget execution in that it has permitted bureaus and offices to make financial decisions rapidly and authoritatively. Due to the fact that programs are now financed so that fiscal management parallels program management responsibility. The new budget is more meaningful and therefore more controllable to the reviewer and public for the following reasons: (1) it tells what the services will do, (2) it tells how much it will cost to do the program, (3) it simplifies analysis and, (4) the attention of management, the reviewing authorities and the public is directed to purposes for which funds are requested.

CHAPTER 111

FURTHER CONSIDERATIONS FOR BUDGETARY CONTROL

AUDIT

The establishment of the Internal Audit function, under the direction of the Comptroller by Title 1V of the National Security Act of 1949, placed additional responsibilities on him, yet at the same time implemented his overall management capabilities. This function was a new one to the Navy up to this time. A sound Internal Audit program provides better controlled, more accurate and reliable fiscal data and reports for top management of the Naval establishment. It facilitates the compilation of important financial data into meaningful form as required by the various top levels of management. Through the Internal Audit Program, the Comptroller of the Navy and top bureau management is provided with independent appraisals of the accounting, financial and budgeting operations. It is a constructive force in the proper management of funds and property.

Congressional attitudes towards the benefits to be derived by an Internal Audit Program in independent agencies, vary.

> True economies--cutting fat, not muscle--would be best effected through a scrutiny of spending policies and processes before the budget is made up. When the scrutiny comes afterward, it is too late.[1]

One of the most difficult administrative problems connected with the de-centralization of large organizations is that of encouraging a high degree of initiative and responsibility at the lower operational levels while still maintaining a reasonable resemblance of over-all organization unity, consistancy and purposefulness.

The primary purpose of internal audit investigations today as viewed by industry, is to determine whether proper safeguards have been established by management at all operating levels, so that the organization will receive full value for each dollar of expense incurred. Internal Auditors are no longer concerned basically with the financial accuracy of the amounts reported in financial statements. The growth or change of functions of current Internal Auditors is in response to modifications of certain management needs. Of particular importance are those that stem from the trend towards decentralization and that of being able to appraise the performance of personnel in the field.

One of the most useful contributions of modern Internal Auditing is that it increases the amount of responsibility that management at headquarters can safely

---

1. Paul H. Douglas, Economy In The National Budget, (University of Chicago Press, 1952), 141.

delegate to field activities.

From the standpoint of presenting an independent viewpoint and utilizing operational experience the Internal Audit Department fulfills a valuable role. With specialized skills not in the technical sense but in the practical sense, that of looking for discrepancies that are related to other types of work, the advantage of insights gained from observing the work habits of other groups, an independent group that is able to help appraise the activities of the many individual groups in management would go far towards minimizing costs and maintaining consistency of action.

The acceptance of a modern Internal Audit Program depends a great deal on the success that management has had in developing cost conciousness amoung the operational management levels, which inevitably implies an active controllership function. The success or failure of the auditing function in other words, is dependent upon attitudes and relationship for which top management in general, not just the Auditing Department, is responsible.

The ability of the Internal Audit Department to make a distinctive contribution to management is based on the following factors:

(1) The Internal Audit Department is able to cross all organizational bounds, both horizontally and vertically. It is the only group having a direct liason with top menagement that can operate effectively at the lowest management echelons.

(2) Accounting and financial data offer internal auditors an exceptional opportunity to analyze and appraise the various operations of the company.

(3) In any large organization, there is always a need for continous appraisal from a fresh outside point of view for some catalytic agent. Otherwise, bureaucratic inertia is likely to develop.

(4) The Audit Department serves as an excellent training ground for promising junior executives, and it enables them to contribute the creative, constructive enthusiasm so necessary to the success of modern Internal Audit Programs.[1]

Budget Flexibility

The Comptroller being responsible in no small way for budget formulation and execution should have a knowledge of the part flexibility plays in its control. The budget, if it possess the proper flexibility, will provide an important instrument in the control of operations and expenditures. Programs for the future must be predicated upon conditions which are expected to exist during the period under consideration. Since fiscal currents shift quickly as a result of changes in physical, political and social forces, the future of a program can never be certain. In the planning and control of operations some consideration must be given to unexpected circumstances. The degree of flexibility which should be allowed in a program depends upon the objects of expenditure. For some purposes flexibility is desirable; for others a high degree of flexibility is required. Flexibility must always be limited

---

1. William T. Jerome, lll, "Internal Auditing As An Aid To Management," Harvard Business Review, March, April, 1953, Volume 31, Number 2.

in accordance with the intent of the legislature with respect to financial or other limitations which may have been imposed.

The execution of multi-year budgets which are the fiscal expression of long range developmental programs require a high degree of flexibility. Even though the general outlines of a long range program remain unchanged, the details will necessarily alter in accordance with the rate of completion of particular phases, with the availability of materials for projects, or other economic changes.

Various techniques have been used by Congress to insure that administrators have an adequate but not unlimited degree of flexibility in the execution of the budget. One of these is the use of lump-sum appropriations rather than itemized appropriations for those areas of expenditures where variations are frequent.

In some cases the combination of lump-sum appropriation lends itself to use in a program where some, but not all, of an agencies program is in doubt.

The transfer of money from one appropriation to another has been used to give flexibility to administrators in the execution of their budgets. The possibilities for abusing this authority however, are ever present, and should be strictly controlled by the central budget authority and related to the original intent of the legislature.

Flexibility in budget execution can also be secured by the use of contingency funds appropriated to the central administrative authority and available for use in accordance with unforseen governmental needs.

The re-examination of the machinery for budget execution should be a continuing responsibility of the budget administrator. Over a period of years most systems tend to become inflexible. Very often, in establishing safeguards to control the use of money, procedures have become cumbersome. This over-control has the effect of hampering and delaying the conduct of an agencies fiscal administration.

Reporting

Of no small importance in the exercise of adequate budgetary control is the Reporting System in use. The financial expenditures of an organization must be reflected as a measure of accomplishment of various programs. The program status must be made known to the executives who are responsible for its execution and management. Where there is failure, the cause must be ascertained, the responsibility placed, and prompt remedial action taken. "It is the function of proper budget reports to present this information. It is largely through the medium of such reports that executive and administrative action is made effective."1

---

1. J. Brooks Heckert, Business Budgeting and Control, (The Ronald Press Company, New York, 1946), 452.

The essential features of good budget reports are the same as those of managerial reports, generally:

(1) Reports should be as clear and simple as it is possible to make them. The essential facts should be paramount. Technical language should be avoided as far as possible.

(2) Reports should contain only the essential information. Superfluous information should be eliminated.

(3) The scope of the reports should be suited to the needs of the particular executives who will use them. Summaries will suffice for executives at higher echelons of authority.

(4) Reports should not contain just expenditures and operation listings but rather relationships, trends and signals as to what items require attention. Reports should be of a nature to motivate action.

(5) In many cases the reporting by "exception" principle should be employed; that is, only out-of-the ordinary operations need be shown.

(6) Reports should be prepared and presented with extreme promptness. Regular reports should have a definite schedule.

(7) Information on reports should be accurate and dependable.

(8) The form of reports should be suited to individual executive preference. Some prefer narrative reports; others tabular, others graphic charts.[1]

Planning and Control

In analyzing the responsibilities of the Comptroller in planning and control it is evident that effective control is impossible without sound procedures and organization structure. The Comptroller should insure that there

---

1. Heckert, The Analysis and Control of Distribution Costs, (The Ronald Press Company, New York, 1940), 334-335.

is established through top management a plan for the control of operations. The objectives of management planning and control as stated recently by T. F. Bradshaw were as follows:

(1) Setting a profit goal.

(2) Setting departmental goals which taken together will achieve the profit goal.

(3) Measuring progress against those standards.

(4) Making continuous adjustments to keep the whole organization moving in balance towards the goal.[1]

In government organizations the difficulty with the above objectives lies in the correct replacement of the profit goal with a function goal. It lies within the Comptrollers sphere to correctly allocate expenses to this goal. The analysis and interpretation of financial expenses is in itself a difficult task but it is one of the most important contributions that a Comptroller can make to management. At best, it can be done as a staff function apart from the operations side of organization. It is the Comptrollers responsibility to assemble financial and operating data, to conduct thorough analysis and interpretation and to present management with a clear picture, the utilization of which will aid in planning and control. A proper perspective of the over-all management picture and an appreciation of the over-all objectives is one of the prime

---

1. T. F. Bradshaw, "The Place of The Comptroller in Management, Planning and Control," The Controller, October, 1952, 498.

requisites for the comptrollership job.

Each department has its own plan of operations. Under varying sets of conditions and in many areas they conflict. A practical means must be found to resolve the conflicting interests inherent in interdepartmental planning. But it must be stressed that no budgetary standard is worth anything if it is not responsibly accepted by the entire line structure of organization, reaching to the top executive level.

Management planning and control has been called the process of achieving a balance between accounting, budgeting and basic planning in support of the long term objectives of an organization. The Comptroller is a key figure in this picture because it is through him that the basic policies of the accounting structure are formulated, put into effect and enforced. He is in a position to control by means of the account structure the allocation of expenditures as related to particular programs or functions of activities. The coordination of the budget schedule with the actual performance is an aid to management through which fields of corrective action may be pointed out to insure programs are being carried out. "The Controllers responsibility begins with the reporting of facts about actual operations and extends naturally to the assembling, summarizing and reporting of operating plans in the form of the budget and to comparisions with the reported results of other companies and of industry in general."[1]

---

1. T.F. Bradshaw & C.C. Hull, Controllership in Modern Management, (Chicago, Richard D. Irwin, Inc., 1951) 51.

BIBLIOGRAPHY

Books

Bradshaw, T. F., Hull, C. C. Controllership in Modern Management. Richard D. Irwin, Inc. Chicago, 1950.

Buck, A. E. Public Budgeting. Harpers and Brothers Publishers. New York and London, 1929.

Douglas, Paul H. Economy in the National Budget. University of Chicago Press. Chicago, Illinois, 1952.

Ernst and Ernst. Budget Control, What it Does and How to Do It. New York, 1925.

Galloway, George B. The Legislative Process in Congress. Thomas Y. Crowell Company. New York, 1953.

Griffith, Ernest S. Congress, It's Contemporary Role. New York University Press, 1953.

Heckert, J. Brooks. Business Budgeting and Control. The Ronald Press Company. New York, 1946.

. The Analysis and Control of Distribution Costs. The Ronald Press Company, New York, 1940.

Holden, Paul E., Fish, Lounsburys, Smith, Hubert L. Top Management Organization and Control. McGraw Hill Book Company, Inc. New York, Toronto, London, 1951.

Kull, Donald C. Budget Administration in the Tennessee Valley Authority. University of Tennessee Record. Knoxville. 1948.

Lepowsky, Albert. Administration. New York. Alfred A. Knopf, 1949.

MacDonald, John H. Practical Budget Procedure. Prentice Hall, Inc. New York, 1939.

Willoughby, W. F. The National Budget System With Suggestions for its Improvement. Johns Hopkins University Press. 1927.

Wilmerding, Lucius, Jr. The Spending Power. Yale University Press. New Haven, Conn. 1943.

Public Documents

Committee on the National Security Organization of the Executive Branch of the Government, Committee on the National Security Organization. Washington, 1949.

Economic Mobilization Studies. The Federal Budget, Publication No. R169, September, 1953.

House Report No. 1441, 81st. Congress, 1st Session, 1949. The General Accounting Office; A Study of its Functions.

Office of the Assistant Secretary of Defense. Glossary of Terms Used in Comptroller Activities. Washington. January, 1952

United Nations Department of Economic Affairs. Government Accounting and Budget Execution. ST/ECA/16. New York. November, 1952.

Articles

Banfield, Edward C. "Congress and the Budget, A Planners Criticism," American Political Science Review, December, 1949.

Bradshaw, T. F. "The Place of the Controller in Management, Planning and Control," The Controller, October, 1952.

Jerome, William T., III. "Internal Auditing as an Aid to Management," Harvard Business Review, March, April, 1953.